

SLND-GUARANTOR BULLETIN

#1-08

January 15, 2008

1. Common Review Initiative (CRI) Receives Permanent Approval

The Department of Education has given guaranty agencies approval to continue with the CRI process of conducting program reviews of lenders and servicers. Until this time, the CRI was a pilot project of guarantors. The Department has now made it permanent.

To receive this permanent status, guarantors are required to include review of LaRS, inducements and consolidation rebate fees. Guarantors are currently working on developing tools to review these areas.

If you have any questions regarding CRI, please contact Char Feist at cfeist@nd.gov or 701-328-5753.

2. LaRS Reporting Changes for Lenders

LaRs Part I – Origination Fees and Lender Fees. The lender fee on loans for which the first disbursement is made on or after October 1, 2007 has increased from 0.5% to 1.0%. This change affects all loan types – Stafford, PLUS and Consolidation. The online form will display the new fee percent.

New SAP codes for loans disbursed on or after October 1, 2007.

- CI – For all Stafford Loans that are in an in-school, grace or deferment period;
- CJ – For all Stafford Loans that are in repayment (other than in deferment);
- CK – For all Consolidation Loans; and
- CM – For all PLUS loans, including PLUS loans made to graduate and professional students.

For complete content of FP-07-11 please go to <http://ifap.ed.gov/dpcletters/FP0711.html>

3. FFELP Special Allowance Rates for the Quarter Ending December 31, 2007

The Treasury Department has published the average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending December 31, 2007, as 3.59 percent. Further, the average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter ending December 31, 2007 is 4.92 percent.

4. Promissory Note Addenda and Plain Language Disclosure for FFELP

DCL FP-08-02 announces revised promissory note addenda and Plain Language Disclosures for Federal Stafford Loans and Federal PLUS Loans, and a new promissory note addendum for Federal Consolidation Loans. Until revised Stafford and PLUS MPN's and a revised Consolidation loan application and promissory note are approved for use, these addendums must be used with the current promissory notes to inform borrowers of the changes made to the terms and conditions of their loans by the HERA and/or the CCRAA. Program participants must begin using the revised addenda and plain language disclosures as soon as possible. Please visit www.ifap.ed.gov/dpcletters/FP0802.html to read the entire Dear Colleague Letter and obtaining copies for reproduction.

5. Common Manual Updates

Batch 144 *Common Manual* policy changes include the topics of:

Providing Consolidation Loan Information to Borrowers

Borrowing from FFELP and FDLP

Federal Data Matches

Required Authorizations for Delivering Parent PLUS Loan Funds to the Student

Release of Endorser



Policy Changes Approved

Batch 144: Proposals 979-983

The nation=s guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual=s next annual update. These changes will also be incorporated into the *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on *Common Manual*=s website at www.commonmanual.org. Please carefully note the effective date of each policy change.

Providing Consolidation Loan Information to Borrowers

The *Common Manual* has been revised in Subsection 15.3.A to acknowledge current technologies in the delivery of information to prospective Consolidation loan borrowers. The Manual has also been revised to suggest that consolidating lenders provide Consolidation loan applicants with a complete explanation of any applicable loss of loan benefits if a borrower is consolidating loans from other loan programs into a Consolidation loan and an explanation of any special benefits that the lender may offer on Federal Consolidation loans and the criteria for obtaining those benefits.

Affected Sections: 15.3.A Providing Consolidation Loan Information
Effective Date: July 1, 2008, unless implemented earlier by the lender.
Basis: None.
Policy Information: 979/Batch 144
Guarantor Comments: None.

Borrowing from FFELP and FDLP

The *Common Manual* has been updated to clarify that a school that participates in both the FFELP and the Federal Direct Loan Program (FDLP) may certify loans of different types (Stafford, PLUS) under separate programs for the same period of enrollment for the same student. For example, the school may certify a Stafford loan under the FFELP and a PLUS loan under the FDLP for the same period of enrollment. A school is prohibited from certifying a loan of the same type under each program for the same student for the same period of enrollment.

Affected Sections: 4.1.A Establishing Eligibility
Effective Date: Stafford and PLUS loans certified on or after December 1, 2006, unless implemented earlier by the school.
Basis: HEA ' 454(a)(4); *Federal Register* dated November 1, 2006, pp. 64392 and 64400; 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78.
Policy Information: 980/Batch 144
Guarantor Comments: None.

Federal Data Matches

The *Common Manual* has been updated to include information on the National Student Loan Data System (NSLDS), the Department of Justice (DOJ), and the Department of Veterans Affairs (VA) federal data matches required in determining student and borrower eligibility. NSLDS information has been removed from Appendix F, FFELP Community Initiatives, as NSLDS is no longer an initiative, but a fully operating system which is owned and maintained by the Department. Current references in 5.2.A to the Immigration and Naturalization Service (INS) have been replaced with references to the Department of Homeland Security, United States Citizenship and Immigration Service (USCIS), which now performs the citizenship data match.

Affected Sections: 5.2 Federal Data Matches
5.2.A Citizenship Data Match
5.2.D Prior Overpayment
5.2.E Prior Default
Appendix F FFELP Community Initiatives
Effective Date: Implementation of any federal data match is determined by the Department.

Basis: None.
Policy Information: 981/Batch 144
Guarantor Comments: None.

Required Authorizations for Delivering Parent PLUS Loan Funds to the Student

The *Common Manual* has been revised to clarify that a school must obtain a parent PLUS borrower's written authorization to deliver parent PLUS loan funds directly to the student, in addition to any other authorization it must obtain from the student (e.g., an authorization to deliver funds to the student's bank account or to the student's stored-value card).

Affected Sections: 8.3 Required Authorizations
Effective Date: Publication date of the 97-98 FSA Handbook.
Basis: 97-98 FSA Handbook, Chapter 10, pp. 34 and 41.
Policy Information: 982/Batch 144
Guarantor Comments: None.

Release of Endorser

The *Common Manual* has been revised to align the Manual's policy text with Appendix H, by including additional instances in which an endorser may be released from his or her obligation to repay a loan or some portion of a loan. A lender may release an endorser from his or her repayment obligation on a loan if the borrower's obligation to repay the loan is discharged through total and permanent disability, false certification loan discharge, closed school loan discharge, or unpaid refund loan discharge. If only a portion of the borrower's loan is discharged, the endorser remains obligated on any remaining portion of the loan. In addition, an endorser may be released because of the endorser's bankruptcy proceedings or total and permanent disability.

Affected Sections: 12.4.E Endorser Due Diligence
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: ' 682.402(c)-(f); the Endorser Addendum to Federal PLUS Loan Application and Master Promissory Note; Conditional disability discharge guidance developed in coordination with NCHELP and the Department's Conditional Disability Discharge Unit.
Policy Information: 983/Batch 144
Guarantor Comments: None.